

Message Text

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TAGS: ETRD, PK

SUBJ: CHANGES IN PAKISTAN'S TRADING PARTNERS'

SUMMARY. RECENTLY AVAILABLE FY 1975 FIGURES ON PAKISTAN'S TRADING PARTNERS SHOW A DROP IN TRADE WITH THE US, IN BOTH DIRECTIONS, FOR THE FIRST TIME IN SEVERAL YEARS. THE US REMAINS PAKISTAN'S LARGEST SOURCE OF IMPORTS, BUT THE SHARES OF JAPAN, GERMANY AND THE ARAB OIL PRODUCERS IN PAKISTAN'S IMPORTS HAVE ALL RISEN. ON THE EXPORT SIDE, FY 1975 SAW DRAMATIC INCREASES IN THE AMOUNT AND PERCENTAGE OF PAKISTAN'S SALES TO IRAN AND THE ARAB OIL PRODUCERS. WE BELIEVE THAT THE INCREASE IN TRADE WITH IRAN AND THE ARAB OIL PRODUCERS REPRESENTS A LONG-TERM CHANGE IN PAKISTAN'S TRADING PATTERNS. THE SHIFTS AMONG US, GERMAN AND JAPANESE SHARES OF MARKET MAY BE A MORE TEMPORARY PHENOMENON. END SUMMARY.

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1. RECENTLY AVAILABLE FIGURES ON PAKISTAN'S FOREIGN TRADE SHOW THAT IMPORTS FROM THE US IN FY 1975 DROPPED, FOR THE FIRST TIME IN SEVERAL YEARS, FROM \$349 MILLION TO \$294 MILLION. THE US REMAINS PAKISTAN'S MAJOR SUPPLIER, BUT THE US SHARE OF THE PAKISTAN MARKET HAS FALLEN FROM 25 TO 15 PERCENT.

2. WE HAVE NOT YET RECEIVED FULL-YEAR FIGURES FOR PAKISTAN'S TRADE WITH OTHER COUNTRIES, BUT INFORMATION AVAILABLE ON THE FIRST EIGHT MONTHS OF FY 1975 SHOW SOME OTHER INTERESTING CHANGES IN PAKISTAN'S IMPORT SUPPLIERS. THE MOST DRAMATIC CHANGE WAS IN IMPORTS FROM THE ARAB OIL PRODUCING COUNTRIES: THESE WENT UP BY 265 PERCENT AS COMPARED WITH THE FIRST EIGHT MONTHS OF FY 1974 (FROM \$54.4 MILLION TO \$198.9 MILLION), DOUBLING THEIR MARKET SHARE (15 PERCENT AS COMPARED WITH 7 PERCENT IN 1974). IMPORTS FROM GERMANY AND JAPAN ALSO REGISTERED LARGE INCREASES -- OF 100 AND 150 PERCENT RESPECTIVELY. THEIR INCREASES IN MARKET SHARE, HOWEVER, WERE LESS MARKED: GERMANY WENT FROM 7 TO 8.4 PERCENT, JAPAN FROM 8.2 TO 12.4 PERCENT.

3. CLEARLY, THE INCREASE IN THE VALUE OF IMPORTS FROM THE ARAB OIL PRODUCERS WAS DUE TO OIL PRICES. UNTIL COUNTRY-BY-COMMODITY BREAKDOWNS OF PAKISTAN'S TRADE WITH INDUSTRIALIZED COUNTRIES BECOME AVAILABLE (THIS USUALLY TAKES A LONG TIME), IT WILL NOT BE POSSIBLE FOR US TO REACH ANY DEFINITE CONCLUSIONS ABOUT THE REASONS FOR THE DROP IN IMPORTS FROM THE US AND THE INCREASE IN IMPORTS FROM GERMANY AND JAPAN, BUT SEVERAL FACTORS ARE ALREADY CLEAR. FERTILIZER IMPORTS SHIFTED AWAY FROM THE U.S. (U.S. SOURCE FERTILIZER IMPORTS WERE MORE THAN \$30 MILLION LOWER IN FY 1975 THAN IN 1974) DUE TO REDUCED U.S. AVAILABILITIES, EVEN WHILE THE VALUE OF PAKISTAN'S TOTAL FERTILIZER IMPORTS INCREASED WITH SOARING PRICES. THE U.S. SHARE OF PAKISTAN'S SUBSTANTIAL WHEAT IMPORTS DROPPED FROM 56 PERCENT TO 44 PERCENT BY VOLUME IN FISCAL YEAR 1975. WE ALSO SUSPECT THAT GERMANY AND JAPAN HAVE BEEN SUPPLYING MORE OF PAKISTAN'S IMPORTS OF INDUSTRIAL EQUIPMENT THAN HAD BEEN THE CASE AS U.S. LIMITED OFFICIAL USE

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COMMODITY AID HAS DECLINED. IF THIS IS TRUE, BIDS RECENTLY WON BY US FIRMS (SUCH AS THE ONE FOR THE SAUDI-FINANCED POLYESTER FIBER AND CEMENT PLANTS) SHOULD HELP TO RESTORE THE EARLIER RISING TREND. AS MORE INFORMATION BECOMES AVAILABLE WE WILL BE SENDING IN FURTHER THOUGHTS ON THE CAUSES AND POSSIBLE REMEDIES FOR THIS SITUATION.

4. SOME EQUALLY INTERESTING TRENDS HAVE BECOME APPARENT IN PAKISTAN'S EXPORT MARKETS. FY 1975 EXPORTS TO THE US DROPPED marginally (FROM \$55 MILLION TO \$42 MILLION, OR 23 PERCENT OF PAKISTAN'S EXPORTS). BASED ON THE FIRST EIGHT MONTHS OF THE YEAR, ON THE OTHER HAND, EXPORTS TO THE OIL PRODUCING COUNTRIES AND CHINA SHOT UP. EXPORTS TO IRAN NEARLY QUADRUPLED (FROM \$13.9 MILLION TO \$52.5 MILLION), GIVING PAKISTAN A HIGHLY FAVORABLE BILATERAL TRADE BALANCE WITH IRAN AND RAISING IRAN'S SHARE OF PAKISTAN'S EXPORTS FROM 2.5 PERCENT TO 7.7 PERCENT. EXPORTS TO THE ARAB OIL PRODUCERS WENT UP BY CLOSE TO 75 PERCENT (\$76.1 MILLION TO \$131.8 MILLION), WITH AN INCREASE IN THEIR MARKET SHARE FROM 13.7 TO 19.4 PERCENT. EXPORTS TO CHINA WENT UP FROM \$1 MILLION TO 11 MILLION.

5. THE SHIFT IN EXPORT PATTERNS IS, WE SUSPECT, A LONG-TERM ONE. PAKISTAN IS INCREASINGLY AWARE OF THE POLITICAL AND ECONOMIC IMPLICATIONS OF ITS PROXIMITY AND CLOSE RELATIONS WITH IRAN AND THE ARAB OIL PRODUCERS, AND OF THE POTENTIAL IMPORTANCE OF THESE COUNTRIES AS EXPORT MARKETS. AGGRESSIVE MARKETING OF TEXTILES AND RICE IN THE PAST YEAR HAS FOCUSED ON THESE AREAS; EXPORT PLANNERS REGARD THE MIDDLE EAST AS THE BIG GROWTH MARKET; AND MOST OF THE GROWING NUMBER OF ARAB AND IRANIAN JOINT VENTURES AND AID PROJECTS IN PAKISTAN SPECIFY THAT A CERTAIN PERCENTAGE OF THE OUTPUT WILL BE SOLD IN THE DONOR COUNTRY. CONSIDERABLE EFFORTS ARE MADE TO INTEREST POTENTIAL ARAB CUSTOMERS IN PAKISTAN-PRODUCED MACHINERY AND EQUIPMENT. THERE IS ALSO A GENERAL ASSUMPTION HERE THAT THE PAKISTAN GOVERNMENT AS WELL AS ITS OTHER MUSLIM FRIENDS ARE ENCOURAGING THE DEVELOPMENT OF THESE TRADE PATTERNS FOR POLITICAL REASONS.

BYROAD

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